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Special:

# **Circular Letter**

**TO: HEALTH BENEFITS OFFICERS, ALL IMPACTED HUMAN RESOURCES PERSONNEL OF THE STATE AND CALIFORNIA STATE UNIVERSITY AND STATE CONTROLLER**

**SUBJECT: OFF-PAY STATUS: HEALTH ENROLLMENT PROCEDURES**

This Circular Letter supersedes Circular Letter 600-210-05.

**Effective immediately:** Follow this policy and procedure for employees who are on off-pay status for more than one full pay period. California Code of Regulations 599.504 provides employees with the option to continue health benefits by electing to pay the health premium(s) directly to the health plan or to cancel health coverage until the employee returns to regular pay status.

This memorandum covers the following topics:

- I. Off-Pay Status - *Employer Responsibility and Process*
- II. Return to Pay Status - *Reinstatement of Health Benefits*

## **I. OFF-PAY STATUS - *Employer Responsibility and Process***

The employer must take the following steps when an employee goes on off-pay status and health premiums are no longer paid by the State of California or an external entity:

Step	Action
1	Update employee appointment status to reflect off-pay status
2	Notify employee of health benefit options: Direct Pay or Cancel health coverage
3	Provide employees with the appropriate forms
4	Follow-up with employees who do not submit forms
5	Process the employee's direct pay enrollment or cancellation of coverage

**To ensure all records are updated appropriately, all 5 steps in this letter must be followed.**

## 1. Update employee appointment status to reflect off-pay status

Update the pay status in the Personnel Information Management System (PIMS). Employers who do not use PIMS must update the employee's pay status in the Appointment Change screen using the Automated Communications Exchange System (ACES).

Updating the pay status in PIMS alone will not update the health account status or change the premium payment method.

## 2. Notify employee of health benefit options: Direct Pay or Cancel health coverage

### Option #1: Direct Pay

An employee who is on off-pay status may elect to continue their health benefits by completing the **Direct Pay Authorization form, (HBD-21)**. The employee must then pay the entire premium directly to their health plan. In order to avoid a break in coverage, the employee must make payments in advance of the coverage month for which they are paying, and must keep continuous coverage by making timely monthly payments to the health plan. Payment must also be made for the month in which the employee returns to work.

### Option #2: Cancel health coverage

Employees' on off-pay status who do not choose to continue their health benefits by paying direct must complete the **Health Benefit Plan Enrollment form, (HBD-12)** to cancel their coverage.

## 3. Provide employees with the appropriate forms

At consultation, with the employee, provide options regarding his or her continuation or cancellation of health benefits. The employer must provide employees with the appropriate forms:

- **Direct Pay Authorization form, (HBD-21)** to elect continuation, or
- **Health Benefit Plan Enrollment form, (HBD-12)** to elect to cancel all coverage or to delete dependents.

## 4. Follow-up with employees who do not submit forms

If the employer cannot counsel the employee in person, obtain a **Direct Pay Authorization form, (HBD-21)**, or the **Health Benefit Plan Enrollment form, (HBD-12)**, by mailing the employee the forms via certified to ensure they are provided their options during the time period they are on off-pay status.

Employees must be provided a 30 day time period to exercise their option. **If an employee fails to respond within 30 days, the employer must process an administrative cancellation of coverage.**

## 5. Process the employees direct pay enrollment or cancellation of coverage

Use the following table to determine which action to take:

If the employee	Then employer uses the ACES system to process	Reason Code	Form #
elects to delete dependent(s) <sup>1</sup> and elects Direct Pay <sup>2</sup>	an "optional delete" and then a status "premium payment change."	311, 704 thru 710	HBD-12 HBD-21
elects Direct Pay <sup>2</sup>	a status "premium payment change."	704 thru 710	HBD-21
elects to cancel all coverage	a "cancellation of health coverage."	533	HBD-12
fails to select an option or does not respond in 30 days	an administrative "cancellation of health coverage."	533	HBD-12 add remarks "administrative cancellation"

<sup>1</sup> Re-enrolling deleted dependents is allowed **only** during an Open Enrollment period, as a result of a qualifying event, or under the provisions of the Health Insurance Portability and Accountability Act (HIPAA).

<sup>2</sup> To avoid break in coverage, update ACES to reflect the direct payment election no later than the last day of the month following the last month on pay status.

The employer must retain a completed **Direct Pay Authorization form**, (HBD-21) in the employees' file and send a copy to the appropriate health plan. The health plan will contact the employee electing direct pay and provide instructions regarding subsequent payment information; including payment method, amount due, due date, and other related information.

The health plan will cancel health coverage if the employee fails to pay by the 10<sup>th</sup> of the month preceding the coverage month. The employee will be responsible for the costs associated to services received during a non-coverage period.

**IMPORTANT FOR ACES USERS:** Please do not mail completed forms to CalPERS. ACES-enabled employers **must** use ACES for updating health benefits transactions. If CalPERS receives a completed form requesting an update from an ACES user, it will be returned to the employer for processing through ACES.

## II. RETURN TO PAY STATUS: *Reinstatement of Health Benefits*

To reinstate an employee's health benefits upon return to regular pay status, the pay status must first be updated in PIMS or ACES, whichever is applicable.

Follow these steps to reinstate health benefits:

<b>If while on off-pay status the employee</b>	<b>Then employer</b>	<b>Reason Code</b>	<b>Form</b>
elected Direct Pay	processes a health premium status change in ACES to <i>Change to deduct-Return to Work</i> .	712	None
cancelled health coverage	processes health new enrollment in ACES to <i>Return from Off Pay Status (Reason code under new enrollment)</i> within 60 days of return to pay status.	160	HBD-12*

\*The **Health Benefit Plan Enrollment form**, (HBD-12) must reflect the same health plan and dependents covered prior to the change in pay status, subject to eligibility factors.

The employee and employer will be responsible for retroactive premiums, if ACES is updated *after the 20<sup>th</sup> of the month* in which the employee returns to pay status. Adjustments for retroactive premiums will be made during a future pay period.

If you have any questions, please contact the CalPERS Employer Contact Center at 888-CalPERS (or 888-225-7377).

Sincerely,

Holly A. Fong, Chief  
Office of Employer and Member Health Services